

Farm Income Rises

FARM INCOME resumed its upward trend in the first half of 1968 after declining from \$16.2 billion in 1966 to \$14.2 billion in 1967, according to the United States Department of Agriculture. Realized net income of farmers from farming, at the seasonally adjusted annual rate of \$14.6 billion, was up 3 per cent from the rate in the first half of 1967. Cash receipts from farm commodity sales were 2 per cent higher, reflecting slightly higher prices and a small increase in the quantity of products marketed. Nonmoney income combined with Government payments were up 6 per cent. Production expenses were also higher, offsetting about half the income gain.

Based on preliminary estimates, the number of farms in the nation declined about 3 per cent from 1967 to 1968, the same rate as during the past decade. Net income per farm, estimated at an annual rate of \$4,781 for 1968, is 5 per cent higher than a year earlier, reflecting fewer farms and increased total farm income.

Total net farm income has risen 36 per cent from its post-World War II low of \$10.7 billion in 1957

TABLE I:
Realized Net Farm Income 48 States¹

	Total Income (Millions of dollars)	Number of Farms	Income Per Farm (Dollars)
1945	12,751	5,966,750	\$2,137
1950	12,861	5,647,800	2,277
1955	11,249	4,653,800	2,417
1957	10,707	4,371,700	2,449
1959	11,362	4,097,300	2,773
1961	12,646	3,814,800	3,315
1963	12,583	3,555,600	3,539
1965	13,993	3,334,500	4,196
1966	16,193	3,233,400	5,008
1967	14,241	3,141,300	4,533
1968	14,600 ²	3,053,600	4,781

¹Includes returns for operator's and unpaid family labor and operator's investment.

²First half of year at seasonally adjusted annual rate.

Source: USDA.

(Table I). Gross income has risen 47 per cent, from \$30 billion to \$44 billion, and production expense has risen 57 per cent, from \$23 billion to \$36 billion. With the number of farms decreasing since 1957, average net income per farm has risen from \$2,449 to \$4,781, an average gain of 6.3 per cent per year. These figures are not to be confused with estimates of income per farm family since they do not include income received by farm families from nonfarm sources.¹

TABLE II:
Output of Livestock Products

	Jan.-June 1967	Jan.-June 1968	Per Cent Change
Eggs, mil.	35,334	35,559	0.6
Milk, mil. lbs.	62,866	61,824	-1.7
Beef, mil. lbs.	10,066	10,131	0.6
Pork, mil. lbs.	6,093	6,319	3.7
Poultry, mil. lbs.	3,441	3,407	-1.0

Source: USDA.

The gain in receipts from farm commodities from the first half of 1967 to the first half of 1968 was the result of an increase in livestock receipts, with little change in returns from crops. Livestock receipts, which accounted for two-thirds of all farm receipts, were up about 4 per cent during this period.

The increase in receipts from livestock reflected small increases in both production and prices. Pork output was up almost 4 per cent from a year earlier, while beef and egg production showed modest increases. Production of milk and poultry, however, declined slightly (Table II). Output of all livestock products increased about one per cent. Production per consumer was about the same as a year earlier, as the nation's population also increased about one per cent. Prices of livestock products in the first half

¹For estimates of trends in income of the farm population from all sources, see the *Farm Income Situation*, July, 1968.

TABLE III:
Major Agricultural Commodity Prices

	Jan.-June 1967	Jan.-June 1968	Per Cent Change ²
Beef cattle, cwt.	\$22.02	\$23.13	5.0
Hogs, cwt.	19.23	18.52	-3.7
Milk, cwt.	4.91	5.08	3.5
Eggs, doz.	.32	.30	-6.9
Broilers, lb.	.14	.14	2.9
All livestock products ¹	276	281	1.8
Cotton, lb.	.20	.21	1.8
Soybeans, bu.	2.72	2.56	-5.9
Corn, bu.	1.27	1.06	-16.5
Wheat, bu.	1.55	1.37	-11.6
Rice, cwt.	5.15	5.31	3.1
Oats, bu.	.69	.69	-0.2
All crops ¹	224	231	3.1
All farm products ¹	252	258	2.4

¹Averages of price indexes (1910-14=100).

²Percentage changes calculated prior to rounding of prices.

Source: USDA.

of the year averaged 1.8 per cent higher than a year earlier, indicating a slight increase in demand (Table III). Prices of beef cattle, broilers, and milk averaged well above year-earlier levels, while hog prices were lower as a result of the major gain in output. The sharp decline in egg prices reflects both the continued long-run decline in demand and a small increase in production.

Crop receipts were about unchanged from the first half of 1967 to the first half of 1968. Prices averaged 3 per cent higher this year than a year earlier, while the quantity marketed was down. Higher prices were received for fruit and vegetables, which were in relatively short supply. These crops constitute a large share of total crop sales in the first half of the year and have a major impact on average prices during this period. Prices of the major crops—corn, soybeans, and wheat—which are marketed primarily in the last half of the year, were lower.

Favorable Outlook for Last Half of 1968

Supply and price prospects point to favorable farm incomes through the remaining months of 1968. The United States Department of Agriculture has estimated that cash farm receipts for all of 1968 will exceed year-earlier levels by \$1.5 to \$2 billion and that Government payments will be up about \$300 million. Production expenses, however, are expected to offset about half the gain. This would result in a rise in net income for the year of about 5 per cent.

These farm income estimates are based on expectations of slightly higher prices than a year earlier and a small increase in production. The rising demand for farm products, coupled with the Government price supports for most crops, is expected to

more than offset the impact on prices of a moderate increase in production.

Total production of livestock products in the last half of this year will probably remain about unchanged from year-earlier levels. Larger beef and broiler production may offset some reduction in pork, veal, lamb, mutton, and turkeys. A small increase in population may result in slightly lower per capita output of meat. In the first half of the year milk production was well below year-earlier levels; however, at midyear output was increasing, and the second half may exceed that of a year earlier. The lower replacement pullet hatch during the ten months ending in April indicates a sharp reduction in egg production in the remaining months of 1968 compared with year-earlier levels.

Crop production in 1968 will be 3 per cent greater than the record harvest of last year, based on USDA estimates of August 1. Crops expected in larger quantities this year include food grains, oil seeds, cotton, sugar, noncitrus fruits, and summer vegetables. Total feed grain tonnage is expected to be only slightly below the record of 1967. Forage crops and tobacco will be down somewhat from 1967.

Cotton production is expected to rise 47 per cent from the small 1967 crop of 7.5 million bales, as a result of both increased acreage and larger yields. Both rice and soybean output are expected to continue the uptrend of recent years. Rice production is estimated at 24 per cent higher than a year ago, while soybean production will probably rise about 9 per cent to 1,064 million bushels. Wheat production is forecast at 5 per cent above last year, while corn output is expected to be down 4 per cent from a year ago, but 18 per cent above the 1962-66 average.

Supplies of most crops, reflecting increased production and carry-over from past production, will be somewhat greater in the 1968-69 marketing year than a year earlier (Table IV). Total feed grain supplies will be up about 5 per cent. Oats and barley

TABLE IV:
Estimated Supply of Major Crops
(1968-69 Marketing Year)

	Production	Carry-Over	Total Supply	Per Cent Change From 1967-68
Feed Grains, mil. tons	174	49	223	5
Soybeans, mil. bu.	1,064	160	1,224	15
Wheat, mil. bu.	1,606	537	2,143	10
Rice, mil. cwt.	112	8	120	22
Cotton, mil. bales	11	6	17	-12
Tobacco, mil. lbs.	1,828	4,087	5,915	-3

Source: USDA, August 1 crop estimate.

will be more than 10 per cent greater, and somewhat larger supplies of sorghum grain are in prospect. A larger wheat crop, coupled with an increase in carry-over, indicates total supplies are about 10 per cent larger than a year earlier. Soybean supplies are estimated at about 15 per cent above a year earlier, as a result of a sharp increase in carry-over and the 9 per cent increase in production. The rice crop and carry-over supplies may exceed year-earlier levels by 22 per cent. The crop is expected to total 24 per cent more than a year earlier, and carry-over stocks are about unchanged.

Cotton supplies will be down again in 1968-69 despite a prospective 50 per cent increase in the crop compared with a year earlier. Production of 7.5 million bales last year was the lowest in this century. With use estimated at about 13.4 million bales, carry-over stocks into the 1968-69 season will decline to about 6 million bales, the smallest carry-over in more than a decade. This carry-over added to the current production estimate of 11 million bales provides supplies of 17 million bales, a level adequate to meet demands at current price levels, but not excessive in light of usual foreign aid commitments.

Tobacco supplies, reflecting an expected 7 per cent decline in the crop and little change in carry-over stocks, may be down about 3 per cent from the 1967-68 level.

The generally plentiful supply of crops in 1968-69 would indicate somewhat lower prices in the months ahead compared to year-earlier levels. However, Government price supports, coupled with rising demand, will tend to hold most crop prices near current levels. On the other hand, the reduced per capita supplies point to somewhat higher average prices for livestock products. This combination of lower crop prices and higher livestock prices indicates little change in average prices for all farm products in the second half of 1968 compared with year-earlier levels.

With little change in average prices and some increase in production and Government payments, farm incomes are likely to continue above a year earlier during the remaining months of 1968.

Prospects for Carry-Over at End of 1968-69

Year-end stocks of most crops in the 1968-69 marketing year will probably be well below the average for the past decade, despite generally larger supplies. Domestic demand for crops continues to rise with the increase in population, and exports for cash and foreign aid have also trended upward.

TABLE V.
Rate of Change in Total Farm Commodity Use
(both domestic consumption and exports)

	1962-63	1967-68	Annual Rate of Change
Soybeans, mil. bu.	702	903	5.2
Wheat, mil. bu.	1,224	1,405	2.8
Rice, mil. cwt.	63.5	89.6	7.1
Cotton, mil. bales	11.8	13.4	2.6
Tobacco, mil. lbs.	2,030	2,013	-0.2
Corn, mil. bu.	3,895	4,396	2.4
Oats, mil. bu.	1,019	786	-5.1
Barley, mil. bu.	410	375	-1.8
Sorghum Grain, mil. bu.	516	740	7.5

Source: USDA.

Feed grain stocks at the close of 1968-69 are expected to be only slightly above the 1967-68 level of 47 million tons, but well below the 69.1 million ton average for 1961-65. Total supplies of feed grains in 1968-69 will rise 4 per cent, while use is expected to repeat the 2.5 per cent gain of recent years.

Stocks of soybeans and wheat may show sizable increases at the end of 1968-69. Soybean supplies in 1968-69, up 15 per cent compared with a 5 per cent increase in rate of use (Table V), point to an increase in carry-over stocks of about 100 million bushels. Carry-over stocks of soybeans have heretofore been relatively insignificant, averaging less than 10 per cent of the crop during the past decade. They rose to 90 million bushels on September 1, 1967, and are estimated at 160 million bushels this year. Wheat carry-over may increase 175 million bushels to about 600 million unless unexpected markets develop. This carry-over would still be only about half the average of the past decade. Rice carry-over may also be up somewhat a year hence from the nominal levels of recent years (about 10 per cent of the quantity used in 1967-68). Such carry-over, however, is not likely to be great relative to past carry-over stocks of other major crops.

Carry-over stocks of both cotton and tobacco at the end of the 1968-69 marketing year are likely to be well below a year earlier. Cotton inventories are already down to relatively moderate levels, and when added to another relatively small crop, they provide a total supply of only 17.7 million bales, or about 3.4 million more than was used domestically and exported in 1967. Carry-over stocks at the end of 1968-69 may be 50 per cent less than a year earlier. Estimated tobacco production is about 200 million pounds below estimated use in the current marketing year, pointing to a 5 per cent reduction in carry-over stocks at the end of 1968-69. This will approach the minimum level of tobacco inventories necessary for proper aging.

TABLE VI:

MAJOR CROP PRODUCTION

(Per Cent Change from 1967)

	Corn	Oats	Barley	Sorghum Grain	Soybeans	Wheat	Rice	Cotton	Tobacco
Arkansas	-16.1	15.9	-34.4	2.4	-1.0	-16.8	24.4	116.3	—
Kentucky	-18.8	10.5	-13.2	-21.7	13.2	-15.9	—	—	5.1
Mississippi	-12.1	-3.6	—	-20.0	-2.1	-4.0	14.4	52.8	—
Missouri	13.0	28.0	0	-8.0	21.6	-21.6	19.6	205.1	3.8
Tennessee	-14.1	0	-6.7	-30.2	7.0	-10.7	—	155.2	10.7
Central Mississippi Valley (5 states)	-0.2	15.4	-9.2	-8.2	6.8	-17.0	23.3	84.3	6.3
Illinois	-3.2	14.8	10.0	-7.7	8.0	-28.0	—	—	—
Indiana	-3.6	68.1	-20.1	-4.9	15.7	-17.0	—	—	0.6
Seven States	-2.7	24.8	-6.8	-8.1	8.5	-20.7	23.3	84.3	6.1
United States	-3.5	20.0	14.8	0.8	9.4	5.4	24.4	47.2	-7.3

Source: USDA, 1968 estimate as of August 1.

The Central Mississippi Valley

Reflecting smaller-than-average crop production in 1967, cash receipts in the first half of this year trailed year-earlier levels in much of the Central Mississippi Valley. By contrast, cash receipts nationally were somewhat higher than a year earlier. Part of the cash receipts decline in the Valley states was offset by larger Government payments. Nevertheless, with rising farm expenses, net income to area farmers was probably lower than a year earlier.

Prospects for Central Mississippi Valley farmers

are better in the second half of this year. Cash receipts from livestock product sales are likely to continue above those of last year in view of the favorable price prospects. In addition, crops over most of the area are very good (Table VI). Due to Government price supports, larger crop production will probably more than offset any price declines, resulting in higher receipts. With higher receipts in prospect from crop and livestock sales and larger Government payments, net income to Central Mississippi Valley farmers for the year should be higher than year-earlier levels, despite higher operating costs.

